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APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
10/825,971	04/16/2004	Steven L. VanFleet	020375-050000US	8224
20350	7590	05/24/2005	EXAMINER	
TOWNSEND AND TOWNSEND AND CREW, LLP TWO EMBARCADERO CENTER EIGHTH FLOOR SAN FRANCISCO, CA 94111-3834			AUGUSTIN, EVENS J	
		ART UNIT		PAPER NUMBER
				3621

DATE MAILED: 05/24/2005

Please find below and/or attached an Office communication concerning this application or proceeding.

<b>Office Action Summary</b>	<b>Application No.</b>	<b>Applicant(s)</b>	
	10/825,971	VANFLEET ET AL.	
	Examiner Evens Augustin	Art Unit 3621	

-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --

#### Period for Reply

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE 3 MONTH(S) FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If the period for reply specified above is less than thirty (30) days, a reply within the statutory minimum of thirty (30) days will be considered timely.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133). Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

#### Status

- 1) Responsive to communication(s) filed on 3/17/2005.
- 2a) This action is FINAL.                            2b) This action is non-final.
- 3) Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

#### Disposition of Claims

- 4) Claim(s) 1-25 is/are pending in the application.
  - 4a) Of the above claim(s) \_\_\_\_\_ is/are withdrawn from consideration.
- 5) Claim(s) \_\_\_\_\_ is/are allowed.
- 6) Claim(s) 1-25 is/are rejected.
- 7) Claim(s) \_\_\_\_\_ is/are objected to.
- 8) Claim(s) \_\_\_\_\_ are subject to restriction and/or election requirement.

#### Application Papers

- 9) The specification is objected to by the Examiner.
- 10) The drawing(s) filed on \_\_\_\_\_ is/are: a) accepted or b) objected to by the Examiner.
 

Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).

Replacement drawing sheet(s) including the correction is required if the drawing(s) is objected to. See 37 CFR 1.121(d).
- 11) The oath or declaration is objected to by the Examiner. Note the attached Office Action or form PTO-152.

#### Priority under 35 U.S.C. § 119

- 12) Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).
  - a) All    b) Some \* c) None of:
    1. Certified copies of the priority documents have been received.
    2. Certified copies of the priority documents have been received in Application No. \_\_\_\_\_.
    3. Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).

\* See the attached detailed Office action for a list of the certified copies not received.

#### Attachment(s)

1) <input type="checkbox"/> Notice of References Cited (PTO-892)	4) <input type="checkbox"/> Interview Summary (PTO-413)
2) <input type="checkbox"/> Notice of Draftsperson's Patent Drawing Review (PTO-948)	Paper No(s)/Mail Date. _____.
3) <input type="checkbox"/> Information Disclosure Statement(s) (PTO-1449 or PTO/SB/08) Paper No(s)/Mail Date _____.	5) <input type="checkbox"/> Notice of Informal Patent Application (PTO-152)
	6) <input type="checkbox"/> Other: _____.

***Response to Amendment***

This is in response to an amendment file on March 17<sup>th</sup>, 2005 for letter for patent filed on April 16<sup>th</sup>, 2004. Claims 1-25 are pending in the letter.

***Response to Arguments***

1. Applicant's arguments filed March 17th, 2005 have been fully considered but they are not persuasive.

Applicant argues that the prior arts fail to teach an inventive concept of buying/receiving payments online where the merchant customer and transaction information, specifying at least the cost of the transaction. Examiner respectfully disagrees with applicant's characterization of the prior arts' inventive concept of buying/receiving payments online. In particular O'Leary et al. teaches that the merchant assigns the buyer a unique transaction ID (credential), which has to be reconciled/validated during an Electronic Fund Transfer (EFT) (column 14, lines 58-63). The merchant transmits to the system the transaction ID/credential, along with the dollar amount of the transaction (cost of transaction) (column 16, lines 1-5). From the validation of the transaction ID/credential, the portal looks into the buyer's account and generates a payment authorization message to the buyer's bank for confirmation/approval of payment (column 16, lines 29-30). With regard to the "push" versus "pull", O'Leary system acts as an intermediary between merchant and buyer. It provides the buyer with an opportunity to review and validate the transaction before an EFT. Therein lies the main difference between the two types of systems. O'Leary's invention requires the customer to register with an intermediary by

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providing customer information, but the merchant still has to transmit customer and transaction information to the system for validation, in order complete a transaction. The aspect of transmitting customer and transaction information to the system for validation is the same for both types of systems.

With regard to claim 10, the applicant argues the payment network of the first information packet" that comprises both an electronic file having encrypted content," which when decrypted "identifies a financial account maintained by the customer" and "transaction information." O'Leary teaches separate receipt of these two components, one from the customer and one from the merchant, and fails to teach receipt of "a first information packet" that includes both. In re Larson, 340 F.2d 965, 968, 144 USPQ 347, 349 (CCPA 1965), the court affirmed that making integral what had been made previously was not patentable. Additionally, O'Leary teaches the aspect of encrypting/decrypting and transmitting confidential and financial electronic information (column 9, lines 49-52). Therefore, O'Leary teaches the functionality of encrypting transmitted data for the safety, protection and integrity of the transaction.

### ***Claim Rejections - 35 USC § 102***

2. The following is a quotation of the appropriate paragraphs of 35 U.S.C. 102 that form the basis for the rejections under this section made in this Office action:

A person shall be entitled to a patent unless –

(e) The invention was described in (1) an application for patent, published under section 122(b), by another filed in the United States before the invention by the applicant for patent or (2) a patent granted on an application for patent by another filed in the United States before the invention by the applicant for patent, except that an international application filed under the treaty defined in section 351(a) shall have the effects for purposes of this subsection of an application filed in the United States only if the international application designated the United States and was published under Article 21(2) of such treaty in the English language.

3. Claims 1-7, 9, 14-23, and 25 are rejected under 35 U.S.C. 102(e) as being anticipated by O'Leary et al. (U.S 6,609,113).

As per claims 1-7, 9, 14-23, and 25, O'Leary et al. discloses a method and system for processing Internet payments, comprising of the following steps:

- The user logs into the Payment Portal Processor (PPP), using secure and encrypted information to protect the confidentiality of any financial information associated with the operation of the portal (column 9, lines 49-52). It is well known in the art that encryption is based on a key that is essential to decrypt the information to its original form – *Claim 9*
- The user's encrypted login information to the portal includes a user ID and password (credentials) (column 15, lines 36-37). Once the buyer is ready to make a transaction, the merchant transmits the transaction related information such as transaction ID and dollar amount of the transaction to the system (column 16, lines 1-5) – *Claim 1*
- The portal determines the balance whether or not the buyer has sufficient funds in his/her primary account with a bank (column 16, lines 20-25). It is well understood in the art that prior to checking the balance, the customer had to previously established an account with a bank, using credential information - *Claim 1*
- The portal generates a payment authorization message to the buyer's bank for confirmation/approval (column 16, lines 29-30) - *Claims 1 and 6*
- Upon receipt of the payment authorization from the portal, the bank debits the buyer's account in the amount of the authorized payment (column 17, lines 11-13). The portal also sends payment confirmation/approval to the merchant in accordance with the confirmation it receives from the buyer's bank (column 16, lines 53-55) – *Claim 2*

- Before the system performs an Electronic Funds Transfer related to a particular transaction, the system authenticates certain predetermined parameters (risk analysis) such as encrypted PIN and mother's maiden name of the buyer (column 17, lines 3-7). Once these parameters are reconciled, an approval or EFT message is sent to the merchant. The EFT message is essentially a guarantee of payment (column 17, lines 23-25) - *Claim 3*
- The Electronic Fund Transfer (EFT) is realized via an Automatic Clearing House (ACH) (column 30, line 4) – *Claim 4*
- The portal can be linked to a debit system such as Demand Deposit Account (Column 11, lines 44-45 – *Claim 5*
- The system accesses the buyer's bank funds, using standard authentication procedures (e.g., PIN) (column 5, lines 54-55). It is also well known in the art that when establishing a bank account, the financial institution provides a PIN and account number. Therefore, in addition to the PIN, standard authentication procedures can also include a primary account number – *Claim 7*
- The buyer uses a communication device to access the Internet such as a personal computer loaded with browser i.e. Netscape or Internet Explorer (column 8, lines 63-67). It is well known in the art that a computer consists of a microprocessor, a hard drive (storage device), RAM and disk drives. It is also well known in the art that the microprocessor interprets and executes instructions – *Claim 14*
  - These instructions may include:

- Receiving the user's encrypted login information to the portal includes user ID and password (credentials) (column 15, lines 36-37)
- Receiving transaction information such as transaction ID and dollar amount of the transaction (column 16, lines 1-5)
- Determining whether or not the buyer has sufficient funds in his/her primary account with a bank (column 16, lines 20-25)
- Generating a payment authorization message to the buyer's bank for confirmation (column 16, lines 29-30)

• Debiting the buyer's account in the amount of the authorized payment (column 17, lines 11-13) – *Claim 15*

• Sending payment confirmation (approval) to the merchant in accordance with the confirmation it receives from the buyer's bank (column 16, lines 53-55) – *Claim 15*

• Performing risk analysis by authenticating certain predetermined parameters (risk analysis) such as encrypted PIN and mother's maiden of the buyer (column 17, lines 3-7). Once these parameters are reconciled an approval or EFT message is sent to the merchant. The EFT message is essentially a guarantee of payment (column 17, lines 23-25) - *Claim 16*

- Receiving the user's encrypted login information, which includes user ID and password (credentials) (column 15, lines 36-37).
- Transmitting information such as Merchant ID and Merchant BIN (column 16, lines 1-5) – *Claim 17*

- Providing a list of approved merchants to the buyer (column 15, line 48). In order to effectuate the EFT, the portal requires certain information from the merchant, such as bank identification number (risk analysis) (column 11, lines 33-34). Before the system performs an Electronic Transfer for Funds (EFT) related to a particular transaction, the system must authenticate certain predetermined parameters (risk analysis) such as encrypted PIN and mother's maiden of the buyer (column 17, lines 3-7). Once these parameters are established, the transaction is automatically authenticated and authorization messages are sent to the merchant. It should be noted that the portal, the user's bank and the merchant's bank realize the authentication process (column 17, lines 20-23). The authorization message is essentially a guarantee of payment from the buyer's bank (column 17, lines 23-25) – *Claims 17-19 and 22*
- Transmitting Electronic Fund Transfer (EFT) via an Automatic Clearing House (ACH) (column 30, line 4) – *Claim 20*
- Transmitting funds over a debit system such as Demand Deposit Account (Column 11, lines 44-45 – *Claim 21*
- Accessing the buyer's bank funds, using standard authentication procedures (e.g., PIN) (column 5, lines 54-55). It is also well known in the art that when establishing a bank account, the financial institution provides a PIN and account number. Therefore, in addition to PIN, standard authentication procedures can also include account number – *Claim 23*
- Processing secure and encrypted login information to protect the confidentiality of any financial information associated with the operation of the portal (column 9, lines 49-52).

It is well known in the art that encryption is based on a key that is essential to decryption the information to its original form – *Claim 25*

***Claim Rejections - 35 USC § 103***

4. The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made.

5. Claims 8, 10-13 and 24 are rejected under 35 U.S.C. 103(a) as being unpatentable over O’Leary et al. (U.S 6,609,113) in view of Chien et al. (Pub No: U.S 2001/0054003).

As per claims 8, 10-13 and 24, O’Leary et al. discloses a method and system for processing Internet payments, comprising of the following steps:

- The user’s login information to the Payment Portal Processor (PPP) is secure and encrypted to protect the confidentiality of any financial information associated with the operation of the portal (column 9, lines 49-52). It is well known in the art that encryption is based on a key that is essential to decryption the information to its original form
- The user’s encrypted login information to the portal includes user ID and password (credentials) (column 15, lines 36-37). Once a purchase is ready to be made, the merchant transmits to the system transaction information such as transaction ID and dollar amount of the transaction (column 16, lines 1-5) The portal determines the balance

whether or not the buyer has sufficient funds in his/her primary account with a bank (column 16, lines 20-25).

- The portal generates a payment authorization message to the buyer's bank for confirmation (column 16, lines 29-30)
- The user's encrypted login information to the portal includes user ID and password (credentials) (column 15, lines 36-37). Once a purchase is ready to be made, the merchant transmits to the system information such as Merchant ID and Merchant BIN (column 16, lines 1-5)
- The portal can provide a list of approved merchants to the buyer (column 15, line 48). In order to effectuate the EFT, the portal requires certain information from the merchant, such as bank identification number (risk analysis) (column 11, lines 33-34). Before the system performs an Electronic Transfer for Funds (EFT) related to a particular transaction, the system must authenticate certain predetermined parameters (risk analysis) such as encrypted PIN and mother's maiden of the buyer (column 17, lines 3-7). Once these parameters are established, the transaction is automatically authenticated and authorization messages are sent to the merchant. It should be noted that the portal, the user's bank and the merchant's bank realize the authentication process (column 17, lines 20-23). The authorization message is essentially a guarantee of payment from the buyer's bank (column 17, lines 23-25).

O'Leary et al. did not explicitly describe a system that uses a loyalty program for the customer during transactions. However, Chien et al. describes a method/system that uses loyalty

points to facilitate transaction over the Internet (page 1, paragraph 8, lines 8-9). The system described by Chien et al. teaches that, during a transaction, a buyer can convert accumulated loyalty points to some currency as a credit to the buyer's financial transaction (page 2, paragraph 10, lines 8-13). Therefore, in view of Chien et al.'s teaching, it would have been obvious for one of ordinary skill in the art at the time of the applicant's invention to employ a loyalty program during an on-line financial transaction. It would have been obvious to one of ordinary skill in the art at the time of the applicant's invention to employ a loyalty program as a marketing tool to help develop the business and to establish new clientele (page 1, paragraph 3, lines 3-5).

***Conclusion***

1. **THIS ACTION IS MADE FINAL.** Applicant is reminded of the extension of time policy as set forth in 37 CFR 1.136(a).

A shortened statutory period for reply to this final action is set to expire THREE MONTHS from the mailing date of this action. In the event a first reply is filed within TWO MONTHS of the mailing date of this final action and the advisory action is not mailed until after the end of the THREE-MONTH shortened statutory period, then the shortened statutory period will expire on the date the advisory action is mailed, and any extension fee pursuant to 37 CFR 1.136(a) will be calculated from the mailing date of the advisory action. In no event, however, will the statutory period for reply expire later than SIX MONTHS from the mailing date of this final action.

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6. Any inquiry concerning this communication or earlier communications from the examiner should be directed to Evens Augustin whose telephone number is 571-272-6860. The examiner can normally be reached on Monday thru Friday 8 to 5 pm.

If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, Jim Trammel can be reached on 571-272-6712.

Any response to this action should be mailed to:

Commissioner for Patents  
P.O. Box 1450  
Alexandria, VA 22313-1450

Any inquiry of a general nature or relating to the status of this application should be directed to the Group receptionist whose telephone number is 571-272-6584.

Evens J. Augustin  
May 20, 2005  
Art Unit 3621

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